



Demystifying Business Insurance

Chanté Owens – Commercial Account Administrator – cyowens@psfinc.com

Insurance is defined as: "The pooling of a large number of individual risks. Funds to cover individual losses are raised by collecting small amounts (premiums) from a broad base of buyers."

Why do you need insurance?

- Sometimes it's required
- To protect your business assets & personal assets
- Insuring your employees have protection against accidents (Workers Comp)
- Protecting your customers/clients against unexpected losses that you may be found negligent & be held liable to pay

What is 1st Party Insurance Coverage?

- 1st Party Insurance Coverage is coverage provided for your business losses.
Example - Commercial Property coverage for damage to your building as a result of a fire loss would be considered a 1st Party Covered Loss.

What is 3rd Party Insurance Coverage?

- 3rd Party Insurance Coverage is coverage for any parties that may make allegations of bodily injury or property damage loss to them as a result of your negligence.
Example - You are visiting one of your clients at their place of business and you accidentally spill a liquid on their computer causing property damage to their computer. The insurance would cover this loss as you would be seen negligent for your actions and the client would want to obtain a replacement computer.

What are the Most Common Insurance Coverages Required?

General Liability – Protects you against 3rd Party Claims of alleged negligent acts

Commercial Property – Insurance for your business personal property and/or building

Commercial Auto – Insurance for the business auto usage for yourself and employees



Common Commercial Insurance Definitions

Additional Insured - A person, firm, or corporation other than the named insured on a policy, or a lender named in a mortgage clause, who is protected against loss by the terms of the policy.

Aggregate Limit - A type of policy limit found in liability policies that limits coverage to a specified total amount for all losses occurring within the policy period.

Bodily Injury - Usually defined to include bodily harm, sickness, disease, including required care, loss of services and resulting in death.

Business Owners Policy (BOP) - A package policy designed for certain types of small businesses, combining property and liability coverages. Very similar to a commercial package policy (CPP).

Casualty Insurance & Liability Insurance - two types of insurance primarily concerned with losses caused by injury to persons and legal liability imposed upon the insured for such injury or damage to property of others. Insures the individual for financial losses that may arise out of the person's responsibilities imposed by law or contract.

Endorsement - A document, agreed to by both parties, that is attached to the policy and modifies or changes the original policy in some way.

Errors & Omissions (aka Professional Liability) - A professional liability coverage that protects the insured against liability for committing an error or omission in performance of professional duties.

Exclusions - Causes, conditions, or property listed in the policy that are not covered and for which no benefits are payable.

Insurance - Insurance involves the pooling of a large number of individual risks. Funds to cover individual losses are raised by collecting small amounts (premiums) from a broad base of buyers.

Insured - The party to an insurance arrangement to whom, or on behalf of whom, the insurance company agrees to indemnify for losses, provide benefits, or render service.

Limits of Liability - The maximum amount of money the insurance company will pay for a particular loss or for loss during a period of time.

Premium - 1) Consideration for the insurance. 2) Periodic payment made to keep a policy in force.

Property Damage - A type of loss covered under many liability contracts. Includes the insured's liability for damage to property of others or loss of use of other's property.

Umbrella Liability Policy - Provides broad coverage for an insured's liability over and above liability covered by underlying contracts or retention limits.

Underwriting - The process of evaluating a risk for the purpose of issuing insurance coverage on it.